

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF KENDALLVILLE

NOBLE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
03/10/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kathren R. Ritchie	01-01-20 to 12-31-22
Mayor	W. SuzAnne Handshoe	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	James Dazey, II	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	James Dazey, II	01-01-20 to 12-31-22



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TO: THE OFFICIALS OF THE CITY OF KENDALLVILLE, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Kendallville (City), for the period from January 1, 2020 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

February 24, 2022

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CLERK-TREASURER  
CITY OF KENDALLVILLE

CLERK-TREASURER  
CITY OF KENDALLVILLE  
AUDIT RESULTS AND COMMENTS

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

The City correctly posted 50 percent of its State Motor Vehicle Highway (MVH) distributions to the MVH Restricted fund as required; however, the City subsequently transferred \$242,978 out of the MVH Restricted fund. The transferred funds were used to pay the City's required match for the Community Crossings Grant and, as such, was used for the City's paving projects. Although the disbursements were for construction expenses, they should have been paid directly from the MVH Restricted fund. The transfer was not a permissible use (construction, reconstruction, or preservation) of the MVH Restricted fund.

*Criteria*

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. ***In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted.***

***Any amounts allocated in excess of the required 50% of distributions which remain in MVH Restricted at the end of the fiscal year must remain in MVH Restricted until expended for construction, reconstruction, or preservation.***

CLERK-TREASURER  
CITY OF KENDALLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted:

MVH: Permissible uses of the State Motor Vehicle Highway (MVH) Accounts distributions are outlined in Indiana Code 8-14-1-4 for counties and in Indiana Code 8-14-1-5 for cities and towns.

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.) . . .

(State Examiner Directive 2018-2)

**SALES TAX PAID ON PURCHASES**

*Condition and Context*

We noted an instance of sales tax paid by the City in the amount of \$160.

*Criteria*

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
CITY OF KENDALLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2022, with Kathren R. Ritchie, Clerk-Treasurer; W. SuzAnne Handshoe, Mayor; James Dazey, II, President Pro Tempore of the Common Council; and Regan Ford, Common Council member.